

**Statement of Thomas W. LaSorda  
President and Chief Executive Officer  
DaimlerChrysler Corporation**

**Before the Subcommittee on Energy and Air Quality  
Committee on Energy and Commerce  
U.S. House of Representatives**

**March 14, 2007**

***SUMMARY AND KEY POINTS***

- **DaimlerChrysler recognizes that climate change and the levels of petroleum consumption are serious national concerns.**
- **DaimlerChrysler is committed to developing and producing new vehicle technologies that address these concerns.**
  - **We have produced more than 1.5 million FFVs and stand ready to make half of our 2012 production be FFVs or vehicles capable of running on biofuels.**
  - **We are offering seven light duty diesels in 2007—vehicles that offer 30 percent increases in fuel economy and 20 percent reductions in greenhouse gases.**
  - **We are partners in a global alliance to produce a new hybrid system that we expect will leapfrog the competition.**
  - **We are the world's leader in fuel cell vehicle production with more than 100 vehicles operating in service today.**
  - **We will continue to improve the efficiency of our gasoline engines and in February announced a \$3 billion powertrain investment to produce a more fuel-efficient V-6 engine family and cutting edge transmissions.**
- **Significant reductions in greenhouse gases and energy consumption must include a comprehensive approach that includes:**
  - **Vehicle efficiency improvements;**
  - **Increased use of alternative fuels; and**
  - **Influence on consumer demand**
    - **Europe has a vehicle fleet that is 50 percent more fuel efficient than that in the U.S.**
    - **European approach influences consumer demand for more fuel efficient vehicles.**
    - **As a result, fleet in Europe is 50 percent diesel and mainly small cars.**
    - **While Europe model may not be fully applicable in U.S., it shows how affecting demand can address climate change.**
- **Climate change policy must address all sectors—not just light duty transportation; establish reasonable timetables; specify realistic levels of reductions; and be national in scope.**
- **DaimlerChrysler supports the raising of CAFE standards by NHTSA through the rulemaking process and the reform of the passenger car program to base it on vehicle attributes.**

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Mr. Chairman and Members of the Committee, thank you for inviting me to testify before you on the subject of climate change. DaimlerChrysler is committed to developing new, advanced technologies, which minimize the effects our products and processes have on global climate and the environment in general. We recognize that climate change and national security are serious concerns that require all of us – individuals, industry and government – to take actions to help reduce our dependence on oil and emissions of CO<sub>2</sub>. And, we have already taken actions to do so.

DaimlerChrysler has long been committed to reducing petroleum consumption and emissions of greenhouse gases of its motor vehicles.

- We have produced more than 1.5 million flexible fuel vehicles (FFVs) — vehicles capable of running on E85—in spite of the limited availability of E85 fuel to consumers. That is more than 10 percent of our production over the past nine years, a higher percentage than any other manufacturer. We stand ready to make, by 2012, 50 percent of our production as either FFVs or vehicles capable of running on biodiesel.
- DaimlerChrysler offers seven clean-diesel models this year – providing improved fuel economy of 30 percent and greenhouse gas reductions of 20 percent. As we announced at the Washington Auto Show in January, our new heavy-duty Dodge Ram diesel meets the stringent, 50-state, 2010 emission standards TODAY. And, we are actively pushing for the adoption of a national standard for B20 biodiesel fuel to speed its adoption in the marketplace.
- We are partners in a global alliance in hybrid development with GM and BMW in developing a new hybrid system that we expect will leapfrog the competition. The first Chrysler Group product – the Dodge Durango – will be on sale in 2008.

- DaimlerChrysler is a leader in producing hybrid diesel-electric buses through our Orion transit bus brand. We also have the only demonstration fleet of plug-in hybrids in service – our Dodge Sprinter vans.
- As you may *not* know, we are the world's leader in fuel cell vehicle production, with more than 100 vehicles – ranging from small passenger cars to city transit buses – in worldwide operation today. Thirty-two of these are in the U.S. We are putting significant resources into developing these new types of propulsion with the objective of significantly reducing greenhouse gases.
- And we continue to put advanced technology into our gasoline engine vehicles. Last year we introduced a new World Engine for our 4-cylinder cars and trucks, along with a new fuel-efficient continuously variable transmission.
- Just last month we announced a \$3 billion powertrain investment. This investment will include the development and production of:
  - A significantly more fuel efficient V-6 engine family; and
  - New cutting-edge transmissions that improve fuel economy by an additional 5-10 percent alone.
- Plus, we will double the production capacity of our 30 plus mpg 4-cylinder engine plant in Michigan to 840,000 units per year.
- All in all, these investments will further secure tens of thousands of U.S. jobs associated with the engineering and manufacturing of the vehicles that will benefit from these new technologies.
- We're also addressing our product mix. Earlier this year, we announced a 40-plus mpg "Smart" city car that will arrive in the U.S. early next year.

I've focused on what we are doing, from a technology perspective, to reduce petroleum consumption – and, since they are directly related, greenhouse gases. But I need to mention one more item in this vein. For those who advocate 4 percent annual CAFE increases over the next 10 years—which translates to a 50 percent fuel economy increase—we know how to do that, too.

In fact, we already do it...in Europe. The U.S. combined fleet averages 24-25 mpg, and in Europe the fleet averages 36 mpg. That's a 50 percent difference.

Why is there a huge disparity between our fleets there and here? After all, we are the same companies in Europe that we are in the U.S., with access to similar technologies. The difference is the European approach to energy and greenhouse gas policies. They've made some tough political choices. They've highly taxed gasoline, making the price three times higher than in the U.S., and they have incentives on diesel fuel. As a result of these policies, fuel economy is always high on a customer's list, and not just when there's a spike in fuel prices.

Through policies which affect consumer demand, the mix of vehicles sold in Europe is radically different than here – about 60 percent compacts or smaller, compared to about 15 percent here; and about 50 percent of passenger vehicles are diesel powered.

There's no magic at work here. A gas-engine mid-size car in Europe gets the same mileage as a gas-engine mid-size car in the U.S. It's just that customers demand a very different mix of vehicles in Europe.

The European model, while far from perfect, is based on policies that leverage demand and market forces, not on policies that fight them.

However, in the U.S., our policies have historically addressed the supply side – light-duty vehicle fuel-economy standards. But, consider how a 50-percent fuel-economy improvement relates to new vehicle technology alone. If *all* the new vehicles sold in the U.S. 10 years from now were hybrids or diesels – something that no one really believes is feasible – fuel economy would improve by only 25-30 percent.

U.S. policymakers must adopt a new and unique formula that fits here. DaimlerChrysler supports a three-pronged, comprehensive approach to climate change and energy security; one that includes a combination of:

- vehicle efficiency improvements;
- the expanded use of alternative fuels – such as ethanol and biodiesel; and,
- the harnessing of market forces to help drive consumer demand.

We all need to be very clear on one point – new vehicle efficiency improvements *alone* will never result in the overall decline in petroleum consumption and greenhouse gas emissions we need. The demand for fuel will continue to grow, as more drivers enter the market and vehicles are driven longer distances.

There are more than 230 million light-duty vehicles currently in use today in the U.S. which travel nearly 3 *trillion miles*. That is nearly 13,000 miles traveled by each vehicle, each year—an increase of about 30 percent since 1985. Thus, greenhouse gases and the demand for petroleum will not be offset by *only*

addressing efficiency improvements among the 16-17 million new vehicles that enter the U.S. market each year. In order to decrease total greenhouse gas emissions and petroleum consumption, we need to accelerate the adoption of alternative fuels such as E85 and bio-diesel, which will affect a greater proportion of the population of light duty vehicles.

And by the way, while travel is growing in the U.S., it will grow exponentially as China and India increase the global automotive market dramatically. The combined Indian and Chinese existing car fleet will almost triple during the next 10 years to about 90 million vehicles, while the U.S. fleet is forecast to grow 25 percent.

To address this increase in demand, we need a comprehensive approach that addresses energy use and greenhouse gas emissions from all sectors of the U.S. economy, and encourages the most efficient reductions in energy use. Our approach should not just address the **supply** of energy-efficient products, but also spur **demand** for them, while establishing reasonable time-tables for compliance and realistic levels of reductions.

Although it should go without saying, I'll say it anyway: This effort needs to be national in scope. We need to avoid an unacceptable and inefficient patchwork of inconsistent Federal, State, and local approaches. In fact, to truly be effective in curbing greenhouse gases, we need a *global* solution.

On the vehicle efficiency side, we at DaimlerChrysler recognize the need for action. And we're taking it. Every day, our engineers are working to reduce greenhouse gases and petroleum consumption. We absolutely will be part of the solution and we will accelerate our efforts. We also support reforming the CAFE program to base it on vehicle attributes and pledge to continue to work with NHTSA to establish maximum feasible levels of fuel economy—levels that are based on sound science and that recognize the limits of technology, cost, and consumer demand.

But again, if we intend to make meaningful progress in reducing petroleum consumption in this country, in addition to vehicle technology improvements, we look to the Federal Government to establish policies that address consumer demand and bend the bias of transportation fuels toward lower carbon alternatives.

Thank you and I look forward to answering your questions.